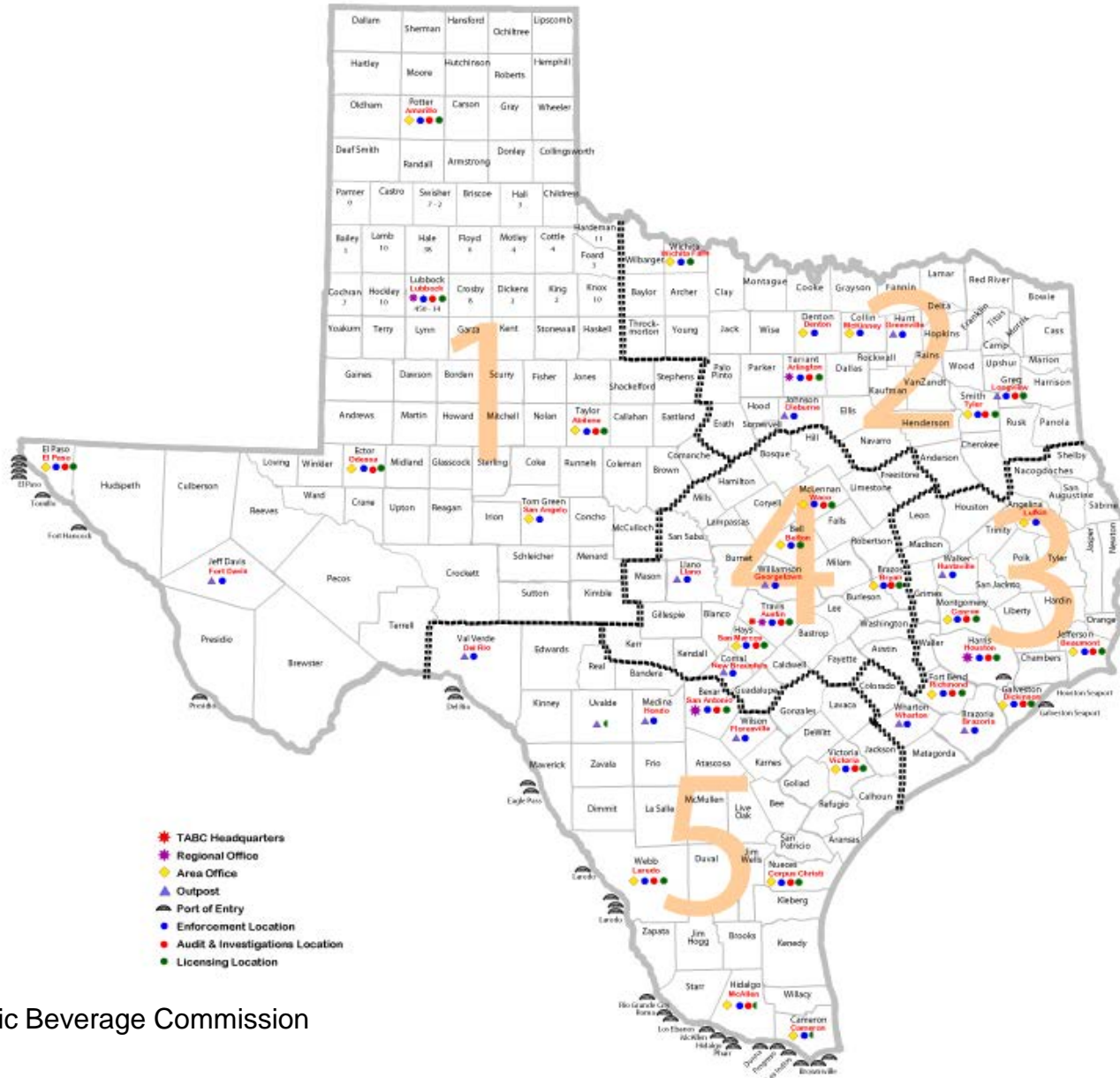


# Texas Alcoholic Beverage Commission Licensing and Administrative Procedures Sherry Cook, Executive Director



# TABC Regional Structure



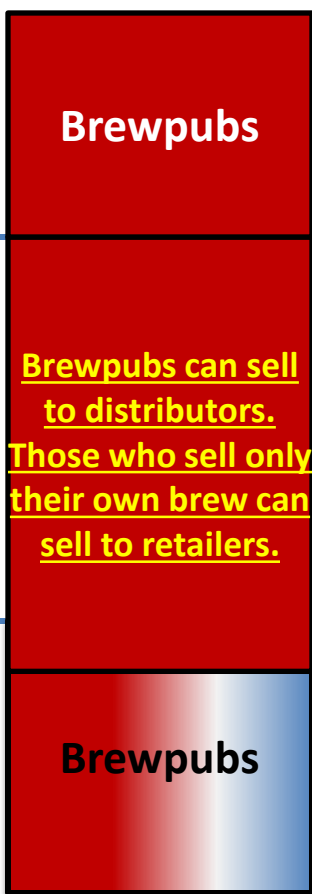
# Three-Tier System

after the 83<sup>rd</sup> Legislative Session



KEY

*Manufacturing*



*Distributing*



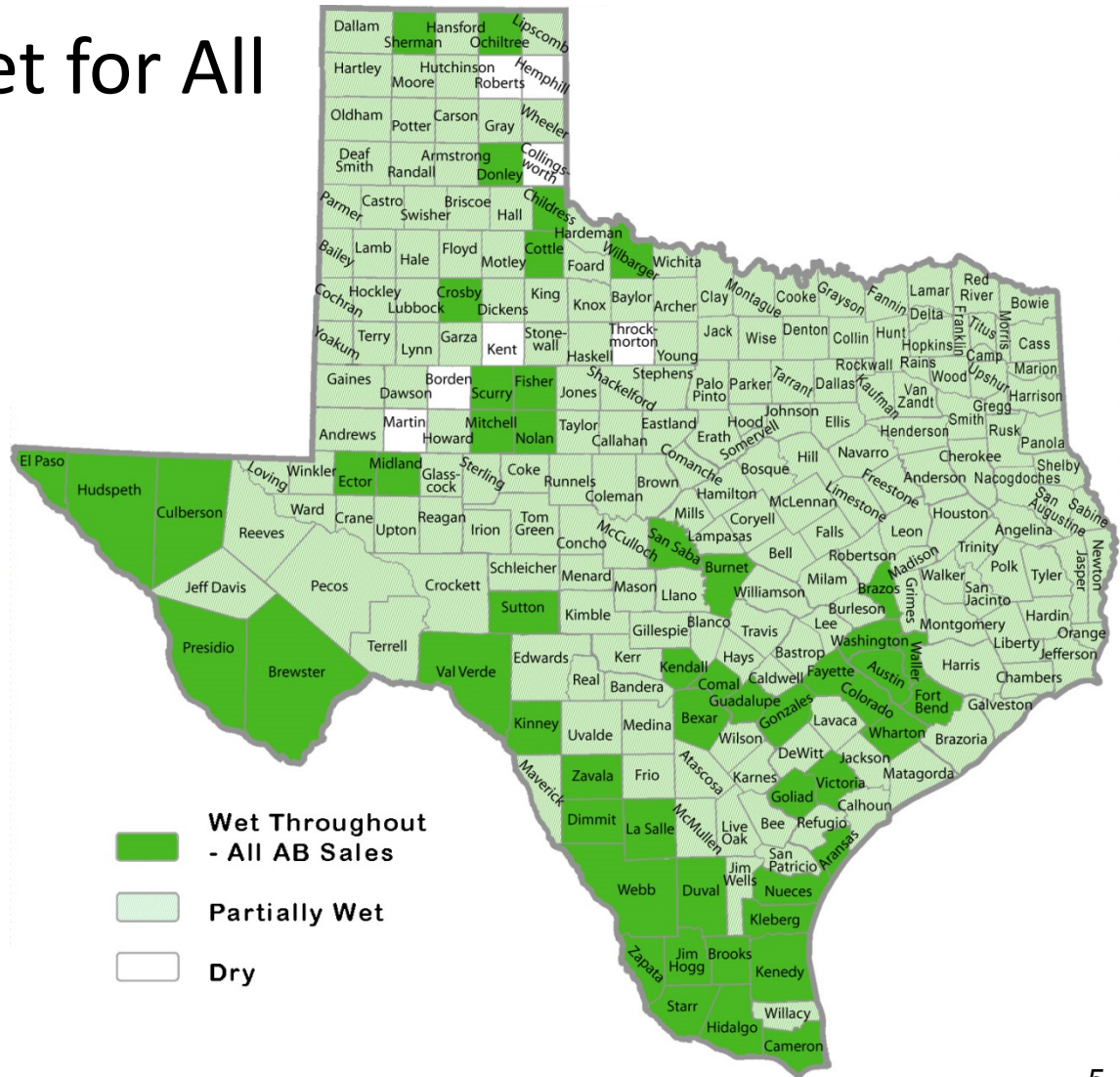
*Retailing*



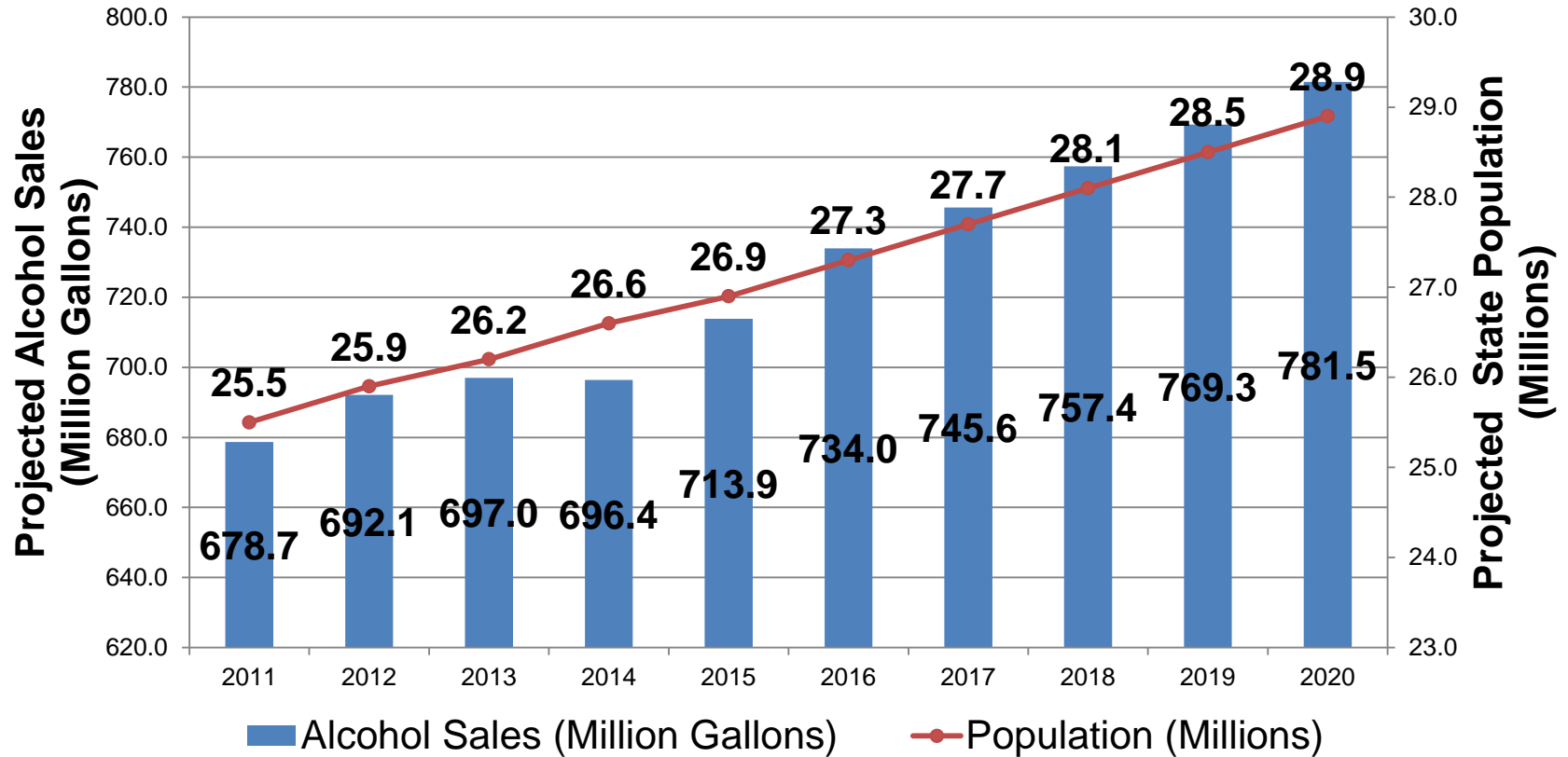
# Industry and Population Growth

# Wet/Dry Status of Counties

- 53 Counties Wet for All Sales
- 7 Dry Counties
  - Borden
  - Collingsworth
  - Hemphill
  - Kent
  - Martin
  - Roberts
  - Throckmorton

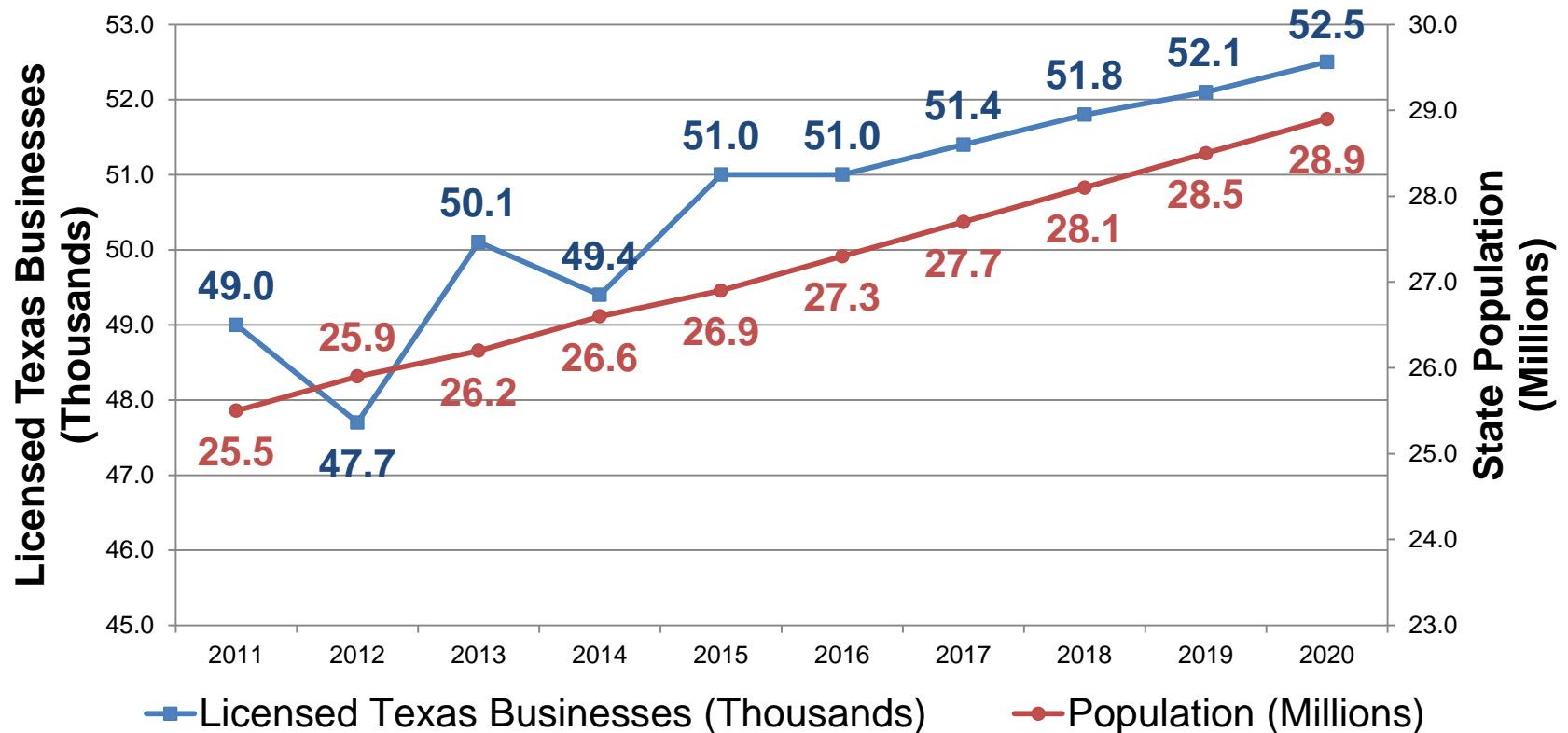


# Increase in State Population and Alcoholic Beverage Sales



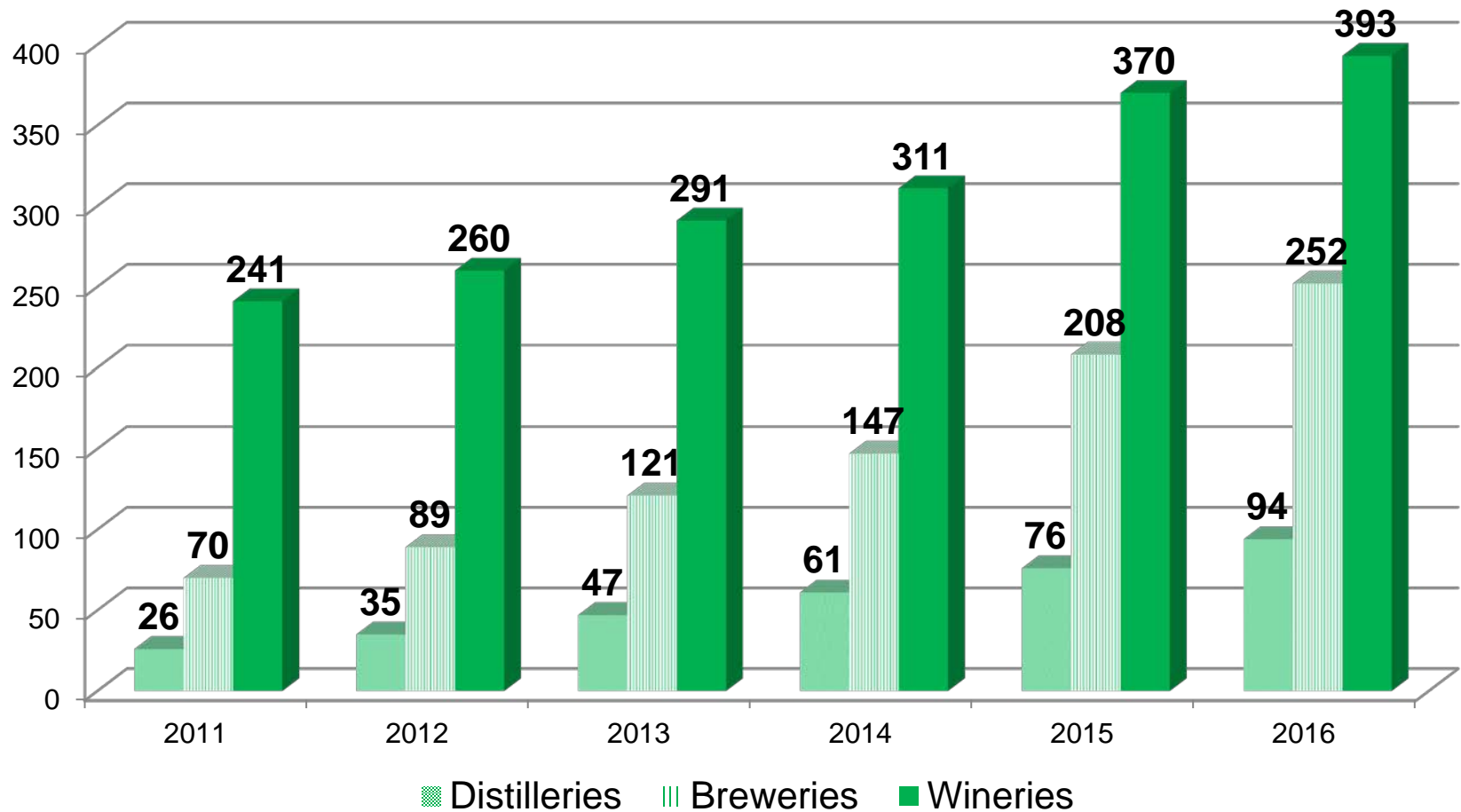
- Texas population is expected to grow 1.4% annually.
- TABC projects demand for alcohol to grow approx. 1.6% annually.

# Growth in Licensed In-State Businesses and State Population (2017-2020 estimated)



- 51,021 licensed locations in Texas. 49,970 are licensed retailers.
- 600 licensed breweries, distilleries, and wineries with an additional 139 Brewpubs. TABC expects the # of licensed retailers to continue to grow by an average of 1% annually.

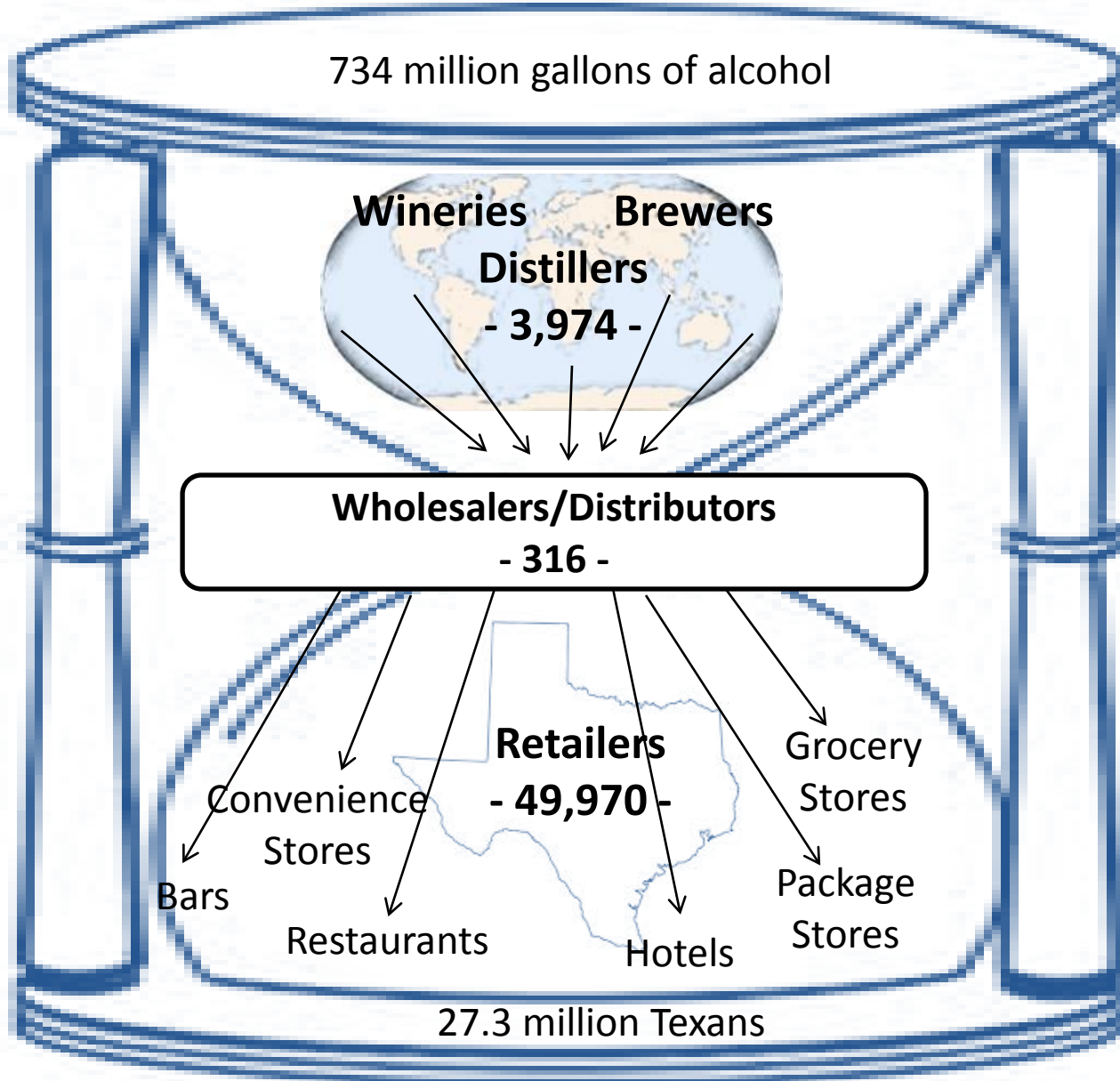
# Growth of Texas Distilleries (261%), Breweries/Brewpubs (260%) & Wineries (63%) 2011-2016





**2016**

734 million gallons of alcohol



# Growth in Numbers

<b><u>Growth Areas</u></b>	<b><u>2009</u></b>	<b><u>2014</u></b>	<b><u>2016</u></b>
Gallons Alcohol Sold	684.6 million	696 million	734 million
Population	24.8 million	26.6 million	27.3 million
Licensed In-State Business	42,992	49,450	51,021
Manufacturers/Brewpubs	231	519	739
Distilleries	11	61	94
Brewers/Brewpubs	36	147	252
Wineries	184	311	393
Label Applications	12,383	19,248	19,999
Excise Taxes Collected	\$191 million	\$205.6 million	\$222.5 million
Authorized Employees	699	646.8	639

# Innovation and Technology

## Now Available

- Apply for Label Approval online
- Renew a license/permit online
- Inquire about your Seller/Server Certificate online
- Order Tax ID Stamps
- Download TABC:Mobile application

## Goals in 2017-2021 Strategic Plan

- Apply for an original license/permit online
- Automate monthly Excise Tax Reports and payments online

# Challenges

- Growing sales volume and growth in manufacturing tier
  - agency resources are being stretched thin
- Increased organized crime in licensed locations
  - criminal cartels and gangs engaged in narcotics, money laundering, human trafficking and breaches of the peace are threat to public safety
- Emerging disputes over the three tier system
  - changing business models, technology and consumer expectations are chipping away at long-established rules and practices

# Active Litigation

- **Longview Bingo Center Fraternal Order** - To determine whether sweepstakes games the Plaintiffs conduct on their premises is gambling
- **D. Houston, Inc. d/b/a Treasures** - Asserts TABC is *interpreting* §11.641(c) of Code and failed to publish a rule pursuant to APA 3<sup>rd</sup> court of appeals
- **Cadena Commercial USA Corp., dba OXXO** - Appeal by applicant for beer licenses in Texas that TABC protested due to a cross tier violation

# Active Litigation (cont.)

- **Mark Anthony Brewing Inc.** - Challenges TABC Label Approval Rules
- **Live Oak Brewing Company LLC, Revolver Brewing LLC, Peticolas Brewing Company LLC** - Plaintiffs (craft brewers) claim statute is unconstitutional i.e., prevents brewers from selling assignments of territorial rights to distribute beer
- **Wal-Mart Stores, Inc. et al** – Challenges Chapter 22 dealing with the right to hold a package store permit and ability to obtain more than five package store permits

# Active Litigation (cont.)

- **Deep Ellum Brewing Company & Grapevine Brewing Company** - Plaintiffs assert they are not allowed to sell their products on-site to consumers for off-premise consumption
- **McLane and the Texas Association of Business** – Asserting certain provisions of the Alcoholic Beverage Code are unconstitutional
- **McLane's 2 PIA lawsuits and TABC's appeal of ruling by Open Records Division of OAG**

# LAR Exceptional Items FY 18 – FY 19

Challenges/Opportunities

- Duplicate data entry by agents
- Lacks security
- Allows for an additional 400 undercover operations and 1100 minor stings per year

Challenges/Opportunities

- Detecting public safety violations of alcoholic beverage retailers requires more Agents
- 4,000 Undercover Operations detect 10-12% public safety violations
- 11,000 minor stings detect 10-12% public safety violations
- 66,000 Open Inspections detect < 1% public safety violations
- Agents are assigned an average of 295 retail locations; ideal assignment is 200-225
- Additional agents and case management reduce average to 247 retail locations per Agent
- Ensuring voluntary compliance by licensed retailers

1. Case Management	\$2,274,364
2. Public Safety (Field Positions)	\$7,783,207
A. 33 Agents	\$5,984,055
B. 6 Sergeants	\$1,278,833
C. 2 Captains	\$520,318
3. Licensing	\$3,604,945
• 5 License & Permit Specialist	
4. CAPPs	\$446,258
• 1 Business Analyst	
5. Vehicles	\$840,000
6. Information Technology	\$1,110,298
A. Cybersecurity	\$489,000
B. Data Center Increases	\$621,298
<b>TOTAL EXCEPTIONAL ITEMS</b>	<b>\$12,598,857</b>

Challenges/Opportunities

- Increasing number of licensed locations by 15.7%
- Increasing complexities of business structures
- Performance measure of 39 days only applies to original applications and being met due to overtime pay and interns at the expense of renewal & supplemental applications
- Additional staff would allow TABC to put the right people in business faster to generate tax revenue, create jobs and support the Texas economy

Challenges/Opportunities

- Implementation postponed for Agency planned migration to CAPPs

Challenges/Opportunities

- Aged vehicle fleet exceeds Comptroller-established standard by 20%

Challenges/Opportunities

- Information Security improvements are needed to continue to secure TABC licensee data from compromise



# Revenue Collections Compared to General Revenue Appropriated Levels

